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Indonesia

Tobacco and Products

New Cigarette Excise and Minimum Retail Prices 2002

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Report Highlights:

Despite strong protest from Indonesia's tobacco industry, the Government of Indonesia (GOI) announced a new regulation that increases the excise duty and the minimum retail prices of cigarettes. The regulation [Minister of Finance Decree No. 449/KMK.04/2002] was signed on October 24, 2002, and effective November 1, 2002.

Includes PSD changes: No
Includes Trade Matrix: No
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Executive Summary

The GOI increased the excise duty and the minimum retail price of cigarettes, in order to meet 2003 revenue targets. According to the 2003 Indonesian State Budget, the targeted revenue from the cigarette excise tax is set at Rp. 27.6 trillion (US\$ 3 billion using exchange rate Rp. 9,200/US\$1), which is an increase of 23.8 percent, compared to Rp. 22.3 trillion (US\$ 2.4 billion) in 2002. The previous regulation, which called for a higher excise duty and a higher minimum retail price for cigarettes, resulted in declining sales and consumption. In addition, cigarette production is estimated to decline approximately 10 percent, from 221.3 billion sticks in 2001 to 200.0 billion sticks in 2002. See Report ID2023 for more information on the Indonesia's tobacco industry situation.

Under the new regulation, the excise duty for hand-rolled clove cigarettes and white cigarettes remain unchanged. The new regulation, effective November 1, 2002, consists of four regulations -- Classification of Tobacco Products Manufacturers; Excise Tariffs and Retail Price Limits of Locally Made Tobacco Products; Excise Tariffs and Retail Price Limits of Local Tobacco Products for Manufacturers that can Export Tobacco Products Exceeding its Annual Sales of the Same Products in Local Market; and Excise Tariffs and Retail Price Limits of Imported Tobacco Products. The new regulations are presented in the tables following.

Table: I

Classification of Tobacco Products Manufacturers Decree of the Minister of Finance No. 449/KMK.04/2002		
Type of Tobacco Products	Manufacturer Classification	Limits of Production/Year (in billion/million sticks)
A. SKM	I	> 2 billion sticks
	II	> 500 million sticks but < 2 billion sticks
	III	< 500 million sticks
B. SPM	I	> 2 billion sticks
	II	> 500 million sticks but < 2 billion sticks
	III	< 500 million sticks
C. SKT	I	> 2 billion sticks
	II	> 500 million sticks but < 2 billion sticks
	III-A	> 6 million sticks but < 500 million sticks
	III-B	< 6 million sticks
D. KLM, KLB or SPT	I	> 6 million sticks
	II	< 6 million sticks
E. TIS	I	> 2 billion grams
	II	> 500 million grams but < 2 billion grams
	III-A	> 50 million grams but < 500 million grams
	III-B	< 50 million grams
F. CRT	No Classification	No limit on Production
G. HPTL	No Classification	No limit on Production

Note: SPM (Sigaret Putih Mesin): white cigarette
SKM (Sigaret Kretek Mesin): machine-made clove cigarette
SKT (Sigaret Kretek Tangan): hand-rolled clove cigarette
KLM (Kelembak): incense clove cigarette
KLB (Klobot): corn-husked wrapped clove cigarette
SPT (Sigaret Putih Tangan): hand-rolled white cigarette
CRT: cigar, cigarillos TIS: chewing tobacco HPTL: other tobacco products

Table: II

The Excise Tariffs and Retail Price Limits of Locally Made Tobacco Products
Decree of the Minister of Finance No. 449/KMK.04/2002

Type of Tobacco Products	Manufacturer Classification	Minimum per stick/gram	Excise Tariffs %
A. SKM	I	Rp. 400.00	40
	II	Rp. 330.00	36
	III	Rp. 320.00	26
B. SPM	I	Rp. 270.00	40
	II	Rp. 210.00	36
	III	Rp. 200.00	26
C. SKT	I	Rp. 340.00	22
	II	Rp. 280.00	16
	III-A	Rp. 270.00	8
	III-B	Rp. 200.00	4
D. KLM and KLB or SPT	I	Rp. 150.00	8
	II	Rp. 125.00	4
E. TIS	I	Rp. 30.00	20
	II	Rp. 30.00	16
	III-A	Rp. 30.00	8
	III-B	Rp. 20.00	4
F. CRT	No Classification	Rp. 200.00	20
G. HPTL	No Classification	Rp. 200.00	20

Table: III

The Excise Tariffs and Retail Price Limits of Local Tobacco Products

for Manufacturers that can Export Tobacco Products Exceeding its Annual Sales of the Same Products in Local Market

Decree of the Minister of Finance No. 449/KMK.04/2002

Type of Tobacco Products	Manufacturer Classification	Minimum Retail Price per stick/gram	Excise Tariffs %
A. SKM	I	Rp. 400.00	36
	II	Rp. 330.00	32
	III	Rp. 320.00	22
B. SPM	I	Rp. 270.00	36
	II	Rp. 210.00	32
	III	Rp. 200.00	22
C. SKT	I	Rp. 340.00	18
	II	Rp. 280.00	12
	III-A	Rp. 270.00	4
	III-B	Rp. 200.00	0
D. KLM and KLB or SPT	I	Rp. 150.00	4
	II	Rp. 120.00	0
E. TIS	I	Rp. 30.00	16
	II	Rp. 30.00	12
	III-A	Rp. 30.00	4
	III-B	Rp. 20.00	0
F. CRT	No Classification	Rp. 200.00	16
G. HPTL	No Classification	Rp. 200.00	16

Table: IV**The Excise Tariffs and Retail Price Limits of Imported Tobacco Products**

Decree of the Minister of Finance No. 449/KMK.04/2002

Type of Tobacco Products	Minimum Retail Price per stick/gram	Excise Tariffs %
A. SKM	Rp. 400.00	40
B. SPM	Rp. 270.00	40
C. SKT	Rp. 340.00	22
D. KLM and KLB or SPT	Rp. 150.00	8
E. TIS	Rp. 30.00	20
F. CRT	Rp. 200.00	20
G. HPTL	Rp. 200.00	20

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